

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CEA-01 CIAE-00 COME-00  
EB-07 EA-09 FRB-01 INR-07 NEA-10 NSAE-00 USIA-15  
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R 131842Z JUN 77  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC 4076  
INFO USDA/WASHDC  
ALL OECD CAPITALS  
AMEMBASSY BELGRADE  
USMISSION GENEVA

UNCLAS SECTION 01 OF 03 PARIS 17393

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PASS: USDA FOR SORENSEN, WITCHER AND SIMPSON, FAS

E.O. 11652: N/A  
TAGS: EAGR OECD  
SUBJ: JOINT WORKING PARTY OF AGRICULTURE AND  
TRADECOMMITTEES 57TH SESSION, MAY 25-27, 1977

1. SUMMARY. OFFICERS REELECTED. EC'S NEW SYSTEM  
OF IMPORTS OF BEEF AND VEAL DISCUSSED AT REQUEST OF  
AUSTRALIA AND NEW ZEALAND. IN LIGHT OF ABNORMAL  
SITUATION, 1977 IMPORTS (VIRTUALLY ALL UNDER SPECIAL  
PROGRAMS) PROBABLY 200-250 THOUS.T. FINNISH, CANADIAN  
AND U.S. PAPERS ON MARKET INSTABILITY THOROUGHLY  
DISCUSSED. SUBSTANCE OF U.S. PAPER - LINKAGE OF  
INSTABILITY OF GRAIN AND LIVESTOCK MARKETS WITH PROTEIN  
FEED SECTOR - NOT CHALLENGED. DISCUSSION OF SECRE-  
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TARIAT'S THREEPAPERS AND OF SCHNITTNER DRAFT, ALL  
ON MARKET INSTABILITY, SUFFERED FROM UNFAMILIARITY  
OF DEL'S WITH VOLUMINOUS TEXTS WHICH HAD NOT BEEN  
DISTRIBUTED SUFFICIENTLY AHEAD OF TIME. DISCUSSION  
OF REVISED TEXTS TO RESUME SEP. 12-16. SECRETARIAT  
REPORTED ON PREP. MEETING OF WORLD FOOD COUNCIL AND  
U.S. DEL DISTRIBUTED BERGLAND LETTER TO COUNCIL

DELEGATES. END SUMMARY.

2. AGENDA ADOPTED (AGR/TC/WP/A(77)1). SHEPHERD (N.Z.) REELECTED CHMN, DETRAUX (BELGIUM) V.CHMN.

3. AT THE REQUEST OF AUSTRALIA, WHICH WAS JOINED BY NEW ZEALAND, THE EC'S NEW SYSTEM OF IMPORTS OF BEEF AND VEAL (TC(77)2/CEE, AGR(77)4/CEE, 4-29-77) WAS DISCUSSED. (COMMENT: THIS REQUEST PARALLELED THE TWO COUNTRIES' CONSULTATIONS WITH U.S., CANADA AND JAPAN ON MEAT QUOTA ACTIONS DURING DEC. 8-10, 1976 SESSION.) AUSTRALIA (HALL) AND N.Z. (LEE) CRITICIZED RESTRICTIVE NATURE OF NEW EC BEEF IMPORT REGULATION. THEY THOUGHT EC MIGHT IMPORT A "NORMAL" AMOUNT OF 400-500 THOUS. M.T. BUT NOW IT LOOKED LIKE MUCH LESS. MEASURE STABILIZES DOMESTIC EC MARKET WHILE UNSTABILIZING OUTSIDE ECONOMIES. REFERENCE TO 75,000 T. "FREE IMPORT QUOTA" FOR PROCESSING PLUS AN ADDITIONAL UNSPECIFIED 40-45 THOUS. T. EC REP. (ORIGER) ENUMERATED SPECIAL IMPORT PROGRAMS (50,000 T. GATT, 30,000 T. ACP, 50,000 HEAD YOUNG ANIMALS AND 30,000 HEAD FROM ALPINE COUNTRIES) AND SAID IMPORTS MIGHT THUS NOT BE FAR FROM 400,000 T.; BUT LATER, UNDER QUESTIONING, HE REDUCED HIS ESTIMATE TO 200-250 THOUS. T. PROJECTIONS FOR PRESENT SEASON MADE A YEAR AGO WERE OPTIMISTIC; NOW MARKET PRICE WAS ONLY 86 PCT. OF GUIDE PRICE. ORIGER GENERALLY TOOK A LEGALISTIC APPROACH ARGUING THAT EC HAD NOT VIOLATED ANY COMMITMENT. AUSTRALIAN AND N.Z. DEL'S' UNCLASSIFIED

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INTERVENTIONS, BY CONTRAST, WERE BASED ON ECONOMICS. WHEN SUBJECTIVITY AND WEEKLY VARIABILITY OF LEVY WAS PROBED, EC DEL READILY ADMITTED THE LATTER BUT CONCLUDED THAT LEVY CALCULATION WAS NOT SUBJECTIVE. AS TO AVAILABILITY OF IMPORT DATA BY TYPE OF SPECIAL IMPORT PROGRAM DURING COURSE OF YEAR, HE SAID SUCH DATA AVAILABLE ONLY AFTER END OF YEAR.

4. DISCUSSION OF "MARKET INSTABILITY" MAY 25, P.M. TO MAY 27, MID-DAY, STARTED WITH FINNISH PAPER, AGR/TC/WP(77)6. PAPER FEATURES RECENT FINNISH POLICY GOAL OF RESTRICTING PRODUCTION TO SELF-SUFFICIENCY LEVEL WITH SOME PROVISION FOR STORING SURPLUSES AS A CONTRIBUTION TO MARKET STABILITY.

IN LIGHT OF SPECIFICS OF FINNISH POLITICAL AND HISTORICAL SITUATION (SUBSIDIZED EXPORTS IN PAST), IT SEEMED UNWISE TO QUESTION THIS POLICY ON PRINCIPLE. HOWEVER, IN ORDER TO EXPRESS SOME DOUBT ABOUT THE

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FM AMEMBASSY PARIS  
TO SECSTATE WASHDC 4077  
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DESIRABILITY OF SELF-SUFFICIENCY AS A STABILIZATION  
MEASURE, U.S. DEL (HIRSCH) POINTED OUT THAT FINLAND  
DID IN FACT NOT AIM AT SELF-SUFFICIENCY IN ALL  
PRODUCTS IT COULD PRODUCE AND REFERRED TO SUGAR.

5. CANADIAN PAPER. CANADIAN DEL (ANDERSON) PROVIDED  
VERY INFORMATIVE PAPER ON CANADIAN PROGRAMS TO  
STABILIZE PRODUCERS' INCOMES THROUGH DEFICIENCY PAY-  
MENTS, GOVERNMENT PURCHASES, FLOOR PRICES, THE  
INITIAL WHEAT PAYMENT SYSTEM, SUPPLY MANAGEMENT (DAIRY  
COMMISSION) AND CROP INSURANCE. REGARDING INITIAL  
WHEAT PAYMENTS (TYPICALLY 80-85 PCT. OF TOTAL PAYMENTS)  
HE STRESSED THAT GOVERNMENT REIMBURSEMENT OF ANY  
EXCESS OF INITIAL PRICE OVER ULTIMATE SELLING PRICE  
CAME INTO PLAY ONLY ONCE IN 40 YEARS. HE EXPLAINED  
REASONS FOR RESERVATIONS EXPRESSED IN PAPER ABOUT  
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EFFICACY OF INTERNATIONAL COMMODITY AGREEMENTS (EVEN THOUGH CANADA SUPPORTS IN PRINCIPLE A BUFFER STOCK ARRANGEMENT FOR GRAINS). PAPER NOTED ANIMAL FEEDS AND HUMAN FOODS HIGHLY SUBSTITUTABLE AND THAT AGREEMENT ON JUST ONE OR A FEW TYPES AND QUALITIES OF GRAINS COULD HAVE ADVERSE SIDE EFFECTS ON OTHER GRAINS. ALSO, A FUNDAMENTAL QUESTION WAS WHETHER A COMMODITY AGREEMENT COULD BE DESIGNED THAT WOULD NOT INTERFERE TOO MUCH WITH BASIC MARKET FORCES. PAPER ALSO NOTED THAT STABILITY OF INPUT FACTORS MAKES NET INCOME MORE UNSTABLE THAN GROSS INCOME AND THAT INCOME VARIABILITY ADDS TO COST. HE REFERRED TO FACT THAT IN PAST, U.S. AND CANADA HAD CARRIED CONSIDERABLE (WHEAT) RESERVES AT HIGH COST, WOULD PROBABLY BE LESS WILLING TO DO SO IN FUTURE.

6. U.S. DEL (SIMPSON) PRESENTED U.S. PAPER ON INSTABILITY AFFECTING SOYBEANS AND PROTEIN FEEDS IN CONJUNCTION WITH SECRETARIAT'S CHAPTER ON ANIMAL FEED-INGSTUFFS IN MARKET INSTABILITY: PART 1(A), AGR/TC/WP(77)4, PP. 62-94. HE EMPHASIZED LINKAGE OF INSTABILITY OF GRAIN AND LIVESTOCK MARKETS WITH THAT IN PROTEIN FEED SECTOR AND REFERRED TO QUESTIONS RAISED AT LAST (DEC.) MEETING OF JWP. SECRETARIAT FEED SPECIALIST (LENGELLE) ACKNOWLEDGED THAT HIGH GRAIN PRICE STRUCTURE IN WESTERN EUROPE CONTRIBUTES TO INELASTIC NATURE OF DEMAND FOR SOYBEANS BUT INSISTED THAT TECHNICAL FACTORS ARE ALSO RESPONSIBLE. HE CITED HIGHER PROPORTION OF PORK, POULTRY AND DAIRY COW PRODUCTION IN EUROPE WHICH REQUIRES HIGHER PROPORTION OF PROTEIN IN RATIONS, THAN IN U.S.S. SECTION IN U.S. PAPER ON FUTURES MARKETS PROVED OF CONSIDERABLE VALUE IN RESPONDING TO RECURRING QUESTIONS ABOUT POSSIBLE ROLE OF FUTURES TRADING IN MARKET INSTABILITY. SUBSTANCE OF U.S. PAPER NOT CHALLENGED.  
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7. THE DISCUSSION OF THE SECRETARIAT'S THREE PAPERS ON MARKET INSTABILITY, AGR/TC/WP(77)4, 5 AND 7 (143 PAGES) AND OF THE SCHNITTNER DRAFT PAPER ON THE

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SAME SUBJECT (39 PAGES) SUFFERED FROM THE DELEGATIONS' INSUFFICIENT FAMILIARITY WITH THOSE DOCUMENTS SINCE THEY HAD BEEN DISTRIBUTED ONLY SHORTLY BEFORE OR DURING THE MEETING. MOREOVER, TIME DID NOT PERMIT DISCUSSION OF CHAPTERS ON CEREALS, MEAT AND DAIRY PRODUCTS IN SECRETARIAT'S PAPERS AND OF DRAFT PREPARED BY SCHNITTNER AND ASSOCIATES, WASHDC, AS CONSULTANTS TO OECD. NUMBER OF PARTS OF AGR/TX/WP(77)4 AND 7 RECEIVED MOST ATTENTION, WITH THE U.S., AUSTRALIAN AND NEW ZEALAND DELS SUGGESTING THAT GREATER ATTENTION BE GIVEN TO THE CAUSES AND IMPLICATIONS OF INSTABILITY ON INTERNATIONAL MARKETS AS OPPOSED TO TECHNIQUES THAT GOVERNMENTS USE IN NATIONAL MARKETS TO COMBAT OR COMPENSATE FOR, INSTABILITY. EUROPEAN DELS ON THE OTHER HAND ATTEMPTED TO WATER DOWN REFERENCES TO POSSIBLE INTERNATIONAL DESTABILIZING EFFECTS OF UNCLASSIFIED

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NATIONAL TRADE POLICIES.

8. AFTER JWP AGREED TO MEET AGAIN SEP. 12-16 TO DISCUSS SECRETARIAT AND SCHNITTNER PAPERS, SECRETARIAT

(VIATTE) SAID "GENERAL INTRODUCTION" WILL BE SUBMITTED BY THAT TIME. CHAPTERS ON CEREALS, MEAT AND DAIRY PRODUCTS WILL BE DISCUSSED. PART II (AGR/TC/WP(77)7) AND PERHAPS PORTIONS OF PART 1 WILL BE REVISED FOR DISCUSSION; AVAILABLE MEDIUM-TERM PROSPECTS FOR MEAT AND DAIRY PRODUCTS MAY BE WORKED INTO REVISED VERSIONS OF THE MEAT AND DAIRY PRODUCT CHAPTERS. SCHNITTNER'S TREATMENT OF CLIMATIC PROBLEM AND RESERVES AND THE CONCEPT OF BURDEN SHARING TO BE DISCUSSED. U.S. DEL (SIMPSON) SUGGESTED THAT ENERGY SHOULD BE STUDIED ON SUPPLY AND DEMAND SIDE; WORLD GRAIN PRODUCTION MIGHT BE AFFECTED BY IT. CHAIR (SHEPHERD) INVITED WRITTEN COMMENTS TO DOCUMENTATION.

9. SECRETARIAT (DYMOCK) REPORTED CRITICALLY ON PREPARATORY MEETING OF WORLD FOOD COUNCIL HELD IN ROME, MAY 9-14 AND U.S. DEL (HIRSCH) DISTRIBUTED COPIES OF SECRETARY GERGLAND'S LETTER TO THE DESIGNATED DELEGATES OF THE COUNCIL MEETING AND SUMMARIZED LETTER. KATZ

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## Message Attributes

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